

AMERICAN DREAM DOWN PAYMENT INITIATIVE (ADDI) Program Description

SUMMARY

The American Dream Down Payment Initiative (ADDI) program was signed into law on December 16, 2003. The initiative is intended to assist low-income first-time homebuyers in purchasing single-family homes by providing funds for down payment and closing costs to assist with the purchase of a home. Since the down payment is one of the most significant barriers to homeownership, ADDI aims to increase the homeownership rate, especially among lower income and minority households and to revitalize and stabilize communities.

PROGRAM DESCRIPTION

The ADDI funds will be offered in the form of a deferred second mortgage loan, secured by the real property. To qualify, the borrowers must:

- have income at or below eighty-percent (80%) of the area's median income;
- be a first-time homebuyer (not owned a home as their principal residence within the last three years);
- qualify for a first mortgage with a participating lender;
- contribute a minimum of \$1,500.00 of their own funds; and
- complete a homebuyer education training program.

The ADDI funds can be utilized with other down payment assistance programs.

Income Eligibility

The borrower's total household income may not exceed U.S. Department of Housing and Urban Development's (HUD) established low-income limit of eighty-percent (80%) or less, according to family size. Household income will be determined according to the Section 8 HUD Income Limits guidelines.

"Household" includes all people occupying the property as their permanent residence, whether related or not. College age children, who reside at college, must be included if counted as a dependent on the federal tax returns of the homeowner. Household will also equate to the HUD definition of "Family".

Residency

The homebuyer's property must be located in the City of Atlanta (www.atlantaga.gov) and must be their principal residence. To maintain this policy, the City of Atlanta may, at its discretion, require homeowners utilizing the ADDI funds to certify their occupancy. If the property ceases to be the principal residence for any reason, the forgiveness provision will end and the full amount of the deferred loan owed at that time will become immediately due and payable.

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Borrower's Requirements

Borrowers are required to contribute at least \$1,500.00 from their own cash reserves. Eligible closing-costs associated with the first mortgage, other down payment assistance program, and the ADDI funds may be added as part of the ADDI loan amount, as long as the total ADDI loan does not exceed the maximum limit. The ADDI funds can only cover fifty (50%) percent of the closing cost. The borrowers may not receive cash back at closing. All seller contributions must be approved on a case by case basis by URFA.

Eligible Cost
<ul style="list-style-type: none">▪ Processing and settlement costs▪ Private lender origination fees▪ Credit reports▪ Title fees▪ Appraisal fees▪ Attorney fees▪ Professional services (appraisal, spec. writing, lead-based testing fees, etc.)

Borrowers' Debt to Income Ratio

Approved lenders must qualify the borrowers so that the monthly payment is reasonably affordable. To assure the payments are reasonable, a debt-to-income ratio analysis is prepared to determine the total housing expenses not to exceed thirty-three (33%) percent of monthly income and the total debt service not to exceed forty-one (41%) percent of monthly income. The City of Atlanta may, at its sole discretion, increase the debt-to-income ratio when necessary. If the applicant purchases a dwelling with two or more units, the net rental income from the non-owner occupied unit must be included in the total gross annual income calculations for eligibility.

Type of Properties that are eligible

The property can be new or existing single-family dwellings (including 1-4 unit dwellings in which one would be owner-occupied) including condominiums, townhomes, and manufactured housing. Mobile homes, whether in a rental park or on private land, are not eligible.

PROPERTY STANDARDS

HUD regulations require that all HOME-assisted houses meet the City's Housing Code Standards. Prior to purchase, the property must be appraised by a licensed FHA appraiser to ensure the house meets all housing codes at the time of the sale and shall be documented in writing.

For more information on this and other [mortgage assistant programs](#), contact Staci Tillman at the Atlanta Development Authority (ADA), Urban Residential Finance Authority (URFA) at (404) 880-4100.

ADDI
Policies and Procedures

I. USE OF FUNDS

- Deferred second mortgage loan not to exceed \$10,000
- 0% interest rate
- Eligible closing cost associated with the first- and second mortgage
- Period of affordability is five (5) years
- 100% repayment is due in full upon sale, transfer, refinancing, or when home is no longer owner occupied

II. BORROWERS ELIGIBILITY

- Borrower must be a first-time homebuyer
- Borrower must have pre-approval from a lending institution for a primary mortgage
- Borrower must complete the ADDI Mortgage Assistance Program Application which includes an acknowledgment that the assistance is a deferred loan
- Borrower must attend a homebuyers education training and receive a certificate from a HUD approved counseling agency prior to loan closing
- Borrower must select a closing attorney from the lending institution approved list
- Borrower must contribute a minimum of \$1,500.00 of their own cash reserves towards the loan closing
- Borrower must meet the HUD Section 8 Income Limits for applicable family size

III. ELIGIBLE PROPERTIES

- Property must be located in the City of Atlanta
- New or existing single-family dwellings (1 to 4 units dwellings in which one would be owner-occupied): including condominiums, townhomes, and manufactured housing

IV. PROCESSING PROCEDURES

1. Borrower contacts a participating lending institution for loan pre-approval.
2. The lending institution contacts the City of Atlanta/Bureau of Housing or its designated program administrating agency for ADDI Mortgage Assistance Application.
3. Borrower must provide verification of income and employment, family household composition, and proof of all sources of funds committed.
4. Borrower must provide a copy of the sales contract signed by the buyer/seller.
5. The lender forwards copy of loan application and the ADDI Mortgage Assistance Application to the City of Atlanta/Bureau of Housing or its designated program administering agency.
6. The City of Atlanta/Bureau of Housing or its designated program administrative agency forwards a preliminary confirmation letter to the lender.
7. Borrower must attend homebuyer education training and provide a copy of the certificate to the lender.

ADDI
Policies and Procedures

8. The lender forwards a complete loan approval package to the City of Atlanta/Bureau of Housing or its designated program administrating agency that include:
 - Verification of Income and Employment
 - City's confirmation letter
 - Family Composition Form
 - Lender's Final Approval Letter
 - ADDI Mortgage Assistance Loan Application
 - Loan Analysis Budget
 - Homebuyers Education Certificate
 - Closing Attorney information (name, address, telephone and fax number)
9. The City of Atlanta/Bureau of Housing or its designated program administrating agency notifies the lender of ADDI down payment assistance approval. The check is made payable jointly to Borrower and closing attorney.
10. The City of Atlanta/Bureau of Housing or its designated program administrating agency forwards check and loan closing instructions to closing attorney.
11. The closing attorney forwards **DRAFT** Settlement Statement to the City of Atlanta/Bureau of Housing or its designated program administrating agency prior to closing for review.
12. After the loan closing: closing attorney forwards post-closing package to the City of Atlanta/Bureau of Housing or its designated program administrating agency. Original Deed sent for recording.
13. Closing attorney forwards recorded deed to City of Atlanta Bureau of Housing 68 Mitchell Street SW Atlanta GA 30335 or its designated program administering agency.

Homebuyers who utilize ADDI for downpayment assistance to purchase a home must attend homebuyer education training prior to closing the loan. At a minimum, the housing counselor must provide a comprehensive overview on pre-purchase activities, mortgage default, credit report review, and debt management.

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